

REPORT / RECOMMENDATION



To: MAYOR AND COUNCIL

Agenda Item #: VIII. B.

From: John Wallin, Finance Director

Action ☒

Discussion ☐

Date: February 5, 2013

Information ☐

Subject: Resolution No. 2013-17 Calling For A Public Hearing On A Project By Calvin Christian School of Minneapolis

Action Requested:

Approve Resolution No. 2013-17 Resolution Calling for a Public Hearing on a Project by Calvin Christian School of Minneapolis

Information / Background:

Calvin Christian School issued taxable debt in 2008 for construction of an addition to the school. The School approached the City Council in March of 2008 to request the issuance of conduit debt. The City Council turned down the proposal at the time and the school issued taxable debt instead. Calvin Christian School recently approached staff concerning the issuance of tax-exempt conduit debt utilizing the City of Edina to refinance its taxable debt. Staff believes there is a potential that the City could issue debt approaching the \$10,000,000 limit for bank qualified debt, therefore, Calvin Christian School could not issue bank qualified debt through the City of Edina. Calvin Christian School has begun negotiations with several banks and the City of Lilydale for the issuance of tax-exempt bank qualified debt, however, as the project was within the City of Edina, The Edina City Council would need to hold a public hearing for the City of Lilydale to issue the debt.

The attached resolution was drafted by Calvin Christian School's Bond Counsel Fryberger, Buchanan, Smith and Frederick, P.A.. A letter from the School's consultant Steve Fenlon of Midwest Healthcare Capital with introductory remarks regarding the Calvin Christian School request for the public hearing is also attached.

The City would have no financial responsibility with the issuance of the debt being proposed.

Attachment:

Letter from Midwest Healthcare Capital, Calvin Christian School's consultant, with introductory remarks regarding their request for a public hearing.

Resolution No. 2013-17 Resolution Calling for a Public Hearing on a Project by Calvin Christian School of Minneapolis

MHC

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To: John Wallin
Cc: Randy Kroll
From: Steve Fenlon
Date: 1/23/13
Re: Introductory remarks regarding CCS request for public hearing

Calvin Christian School (“CCS”) has operated its school at its present site for more than 50 years. CCS is organized (under the auspices of the IRS) as a 501(c)3, nonprofit corporation as a school. As such, and subject to the close scrutiny of bond counsel a study has been undertaken to review the 2007 construction expenditures specifically allocating the costs to the spaces which serve as educational, administrative and athletic to ensure no issue with the “separation of church and state.”

As a qualifying nonprofit CCS has a right to access tax-exempt financing for qualifying spaces and original construction costs. CCS and Midwest Healthcare Capital have requested and obtained lending proposals from three area banks: one has been selected as the most attractive and a commitment is expected in the next few days. Refinancing at this juncture with low interest rates further reduced due to the tax-exempt, bank-qualified loan structure makes eminent sense in helping CCS continue to offer private school educations at reasonable tuition rates and still pay teaching staff a livable wage.

CCS consulted with the City of Edina several months ago and learned at that time, the City intended to issue more than \$10 million in bonds in 2013, which would prevent CCS’ note from receiving a bank-qualification designation. Since that designation is commonly a requirement in order to attract a bank lender, and since CCS has structured its offering assuming a bank lender, it pursued another issuer under the MN statute which allows for a nexus issuer, that is a community for whom its citizens benefit from the availability of the educational opportunities offered to students at CCS. The City of Lilydale has tentatively agreed to issue the note, of course subject to a public hearing being held by the City of Edina and the adoption of a resolution by the Edina City Council expressing the Council’s consent.

Therefore, we hereby request that the City of Edina hold the mandatory jurisdictional public hearing, and after that hearing and during the same meeting, consider and approve a resolution instructing the City of Lilydale to issue its tax-exempt, bank-qualified note which will refinance the existing long term indebtedness of Calvin Christian School. The City of Edina’s role in this transaction does not call for it to actually issue the note but is rather limited to holding a public hearing and directing the City of Lilydale to issue its note.

Thank you for your assistance in this matter. Calvin Christian School (campus does not include a church) has been a solid citizen in Edina and has provided an educational alternative to the citizens of Edina and south Minneapolis. CCS thanks the City of Edina for considering this request and expects that the City will take this step (one which does not result in risk or cost to the City) in recognition to the contributions CCS has made in assuring a broad and diversified educational opportunity to the citizens of Edina.

RESOLUTION NO. 2013-17**RESOLUTION CALLING FOR A PUBLIC HEARING ON A PROJECT
BY CALVIN CHRISTIAN SCHOOL OF MINNEAPOLIS**

BE IT RESOLVED, by the City Council of the City of Edina, Hennepin County, Minnesota (the “City”), as follows:

1. Authority. Fryberger, Buchanan, Smith & Frederick, P.A., bond counsel (“Bond Counsel”) has advised the City that Minnesota Statutes, Sections 469.152 through 469.165, as amended (the “Act”), authorizes a city to issue revenue obligations to refinance indebtedness incurred by an organization engaged in providing educational activities as an elementary, secondary or postsecondary school.
2. The Project. Representatives of Calvin Christian School of Minneapolis (the “Borrower”) have represented to the City that the Borrower is a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, engaged in providing educational activities as an elementary, secondary or postsecondary school. Representatives of the Borrower have further advised the City that the Borrower desires to refinance taxable indebtedness incurred for improvements to the Borrower’s kindergarten through eighth grade, 172-student, school campus located at 4015 Inglewood Avenue South, Edina, Minnesota, consisting of: (a) constructing and equipping an 8,600 square foot addition to the existing main school building to provide a new lobby, media center (incorporating a library, computer lab, office and conference room), office suite (including a reception area, three administrative offices, a nursing office, a workroom and two single-stall restrooms); (b) constructing and equipping a 1,075 square foot addition to the west building to provide including a new entryway, a hallway and boys’ and girls’ restrooms; and (c) related renovation to existing areas to provide a staff room, a learning resource room and a tutoring room in the City (the “Project”) and paying costs associated with the refinancing.
3. Financing; Joint Powers Agreement.
 - a. The Borrower desires to finance the Project through the issuance of tax-exempt revenue obligations (the “Obligations”) of the City of Lilydale (the “Issuer”).
 - b. The Borrower has further requested that the City consent to the issuance of the Obligations by the Issuer to finance the Project pursuant to the Act.
4. Public Hearing.
 - a. As the Project is located within the City, the City will conduct a public hearing on the proposal to undertake and finance the Project.
 - b. The City Clerk is authorized and directed to cause the notice substantially in the form attached hereto as Exhibit A, to be published in the official newspaper of the City and a newspaper of general circulation in the City not less than 14 days nor more than 30 days prior to the date set for the public hearing; provided that if the official

newspaper of the City is a newspaper of general circulation in the City, the notice may be published only once.

5. City Costs. The Borrower has agreed that it will pay, or, upon demand, reimburse the City for payment of, any and all costs incurred by the City in connection with the Project and the issuance of the Obligations, whether or not the Project is carried to completion, or the Obligations are issued.
6. Rights Reserved. Nothing in this resolution shall be construed as an indication of an intent to approve this Project and issue the proposed obligations. The Council specifically reserves the right to approve or disapprove the request after said public hearing.

Passed and adopted by the City Council on February 5, 2013.

ATTEST: _____

Debra A. Mangen, City Clerk

James B. Hovland, Mayor

STATE OF MINNESOTA)
COUNTY OF HENNEPIN)SS
CITY OF EDINA)

CERTIFICATE OF CITY CLERK

I, the undersigned duly appointed and acting City Clerk for the City of Edina do hereby certify that the attached and foregoing Resolution was duly adopted by the Edina City Council at its Regular Meeting of February 5, 2013, and as recorded in the Minutes of said Regular Meeting.

WITNESS my hand and seal of said City this ____ day of _____, 20____.

City Clerk

EXHIBIT A**NOTICE OF PUBLIC HEARING
ON PROPOSED PROJECT AND THE ISSUANCE OF PRIVATE ACTIVITY BONDS****CITY OF EDINA, MINNESOTA**

Notice is hereby given that the City Council of City of Edina, Minnesota (the “City”) will meet on Tuesday, March 5, 2013, at 7:00 p.m., or as soon thereafter as reasonably possible in the City Hall, 4801 West 50th Street, Edina, Minnesota, for the purpose of conducting a public hearing to consider giving approval to the issuance by the City of Lilydale (the “Issuer”) of revenue obligations, in one or more series, under Minnesota Statutes, Sections 469.152 through 469.165 (the “Act”), in order to finance the cost of a project located in the City. The project will consist of refinancing taxable indebtedness incurred for improvements to Borrower’s kindergarten through eighth grade, 172-student, school campus located at 4015 Inglewood Avenue South, Edina, Minnesota, consisting of: (a) constructing and equipping an 8,600 square foot addition to the existing main school building to provide a new lobby, media center (incorporating a library, computer lab, office and conference room), office suite (including a reception area, three administrative offices, a nursing office, a workroom and two single-stall restrooms); (b) constructing and equipping a 1,075 square foot addition to the west building to provide including a new entryway, a hallway and boys’ and girls’ restrooms; and (c) related renovation to existing areas to provide a staff room, a learning resource room and a tutoring room in the City and paying a portion of the costs associated with the financing, in the maximum amount of \$1,500,000 (the “Project”) all on behalf of the owner, Calvin Christian School of Minneapolis, a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Borrower”). The total amount of the obligations to be issued presently being estimated at not to exceed \$1,500,000. The obligations and interest thereon shall not be payable from nor charged against any funds of the City or the Issuer (together, the “Municipalities”) other than revenue pledged for the payment thereof, nor shall the Municipalities be subject to any liability thereon. No holders of the obligations shall ever have the right to compel any exercise of the taxing power of the Municipalities to pay the obligations or the interest thereon, nor to enforce payment against any property of the Municipalities. Such obligations shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Municipalities, nor shall the same constitute a debt of the Municipalities within the meaning of any constitutional or statutory limitations.

A draft copy of the proposed Application to the Minnesota Department of Employment and Economic Development for approval of the project, together with all attachments and exhibits thereto, is available for public inspection at the office of the City Clerk at 4801 West 50th Street, Edina, Minnesota, between the hours of 8:00 a.m. and 4:30 p.m. Monday through Friday, except legal holidays.

All persons interested may appear and be heard at the time and place set forth above or may submit written comments to the City Clerk in advance of the hearing.

**EXTRACT OF MINUTES OF A REGULAR MEETING OF THE
CITY COUNCIL OF THE
CITY OF EDINA, MINNESOTA**

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Edina, Minnesota, was duly called and held at the City Hall located at 4801 West 50th Street, Edina, Minnesota, on Tuesday, February 5, 2013, at 7:00 p.m.

The following members were present: _____

and the following members were absent: _____

MOTION: Member _____ moved to adopt Resolution No. _____, entitled “Resolution Calling for a Public Hearing on a Project by Calvin Christian School of Minneapolis,” the reading of which had been dispensed with by unanimous consent.

SECOND: Member _____

RESULT: On a roll call vote the motion was carried.

Ayes:

Nays:

Not Voting:

Absent: